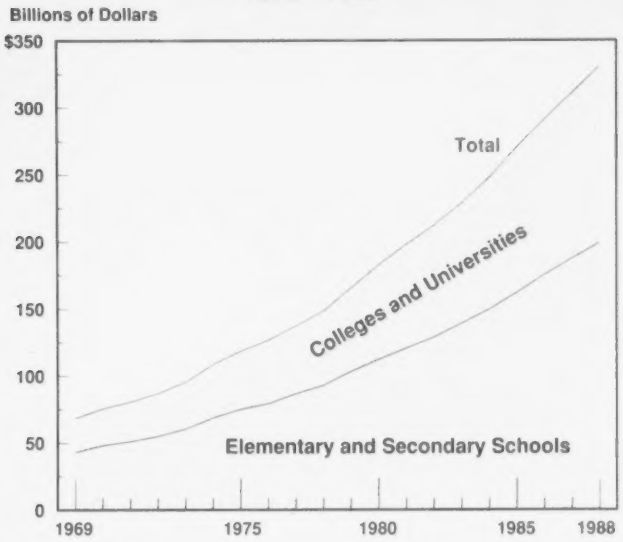
R4105-5.106F

The Conference Board

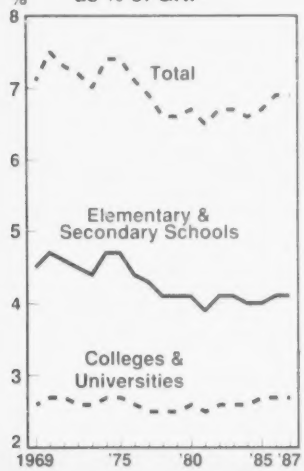
Road Maps Nos. 2037-2038 December 1990

Education: Investment in Human Capital

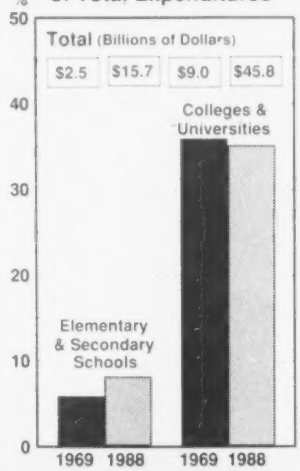
Total Expenditures of Educational Institutions 1970 - 1988



Educational Expenditures as % of GNP



Expenditures of Private Institutions as % of Total Expenditures



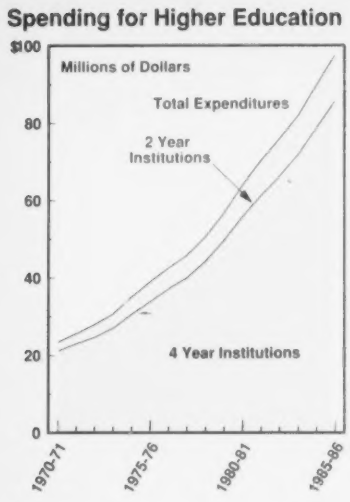
For the past half century, expenditures for education in every category have more than doubled in each succeeding decade. Total expenditures, college and precollege, public and private, have grown almost fivefold in the past 20 years, from $68.5 billion in 1970 to more than $330 billion. Higher education expenditures since 1969-70 have grown faster than spending at the precollege level, rising from 37 percent to almost 40 percent of total education outlays. Despite its geometric growth, spending for schools as a share of the GNP has fluctuated little over the two-decade period, with a high of 7.5 percent in 1970 and a low of 6.5 percent in 1981. Expenditures for colleges peaked at 2.7 percent and bottomed at 2.5 percent, displaying virtually no change.

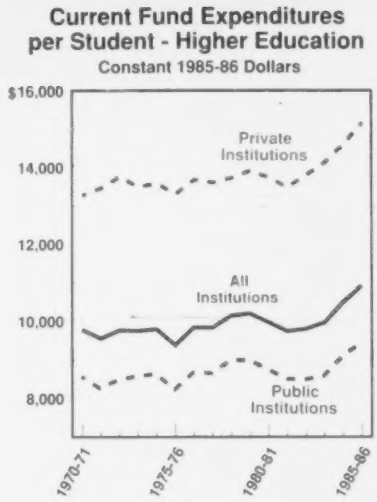
Private schools play an important but not a dominant role in the education picture. Private colleges account for almost 35 percent of the current total of more than $130 billion in expenditures for higher education. Nonpublic elementary and secondary schools account for less than 8 percent of the almost $200 billion spent annually for precollege education. Indeed, private school spending has grown very little as a share of the nation's total commitment to education.

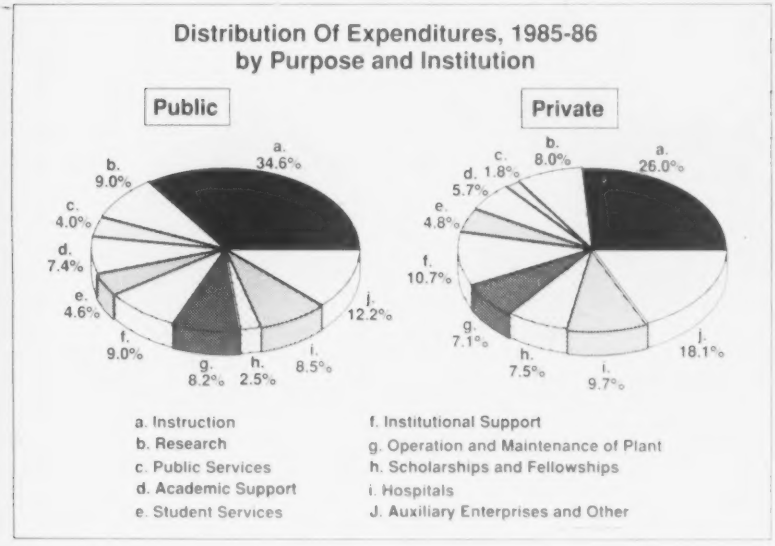
Community colleges and other two-year postsecondary schools which increasingly are being asked to provide the technical and occupational training for the entry-level work force are an important added component to the higher education menu. Current fund expenditures for these schools, mostly public, have grown from $2 billion to $12 billion in 15 years and account for almost 12 percent of current fund expenditures for higher education.

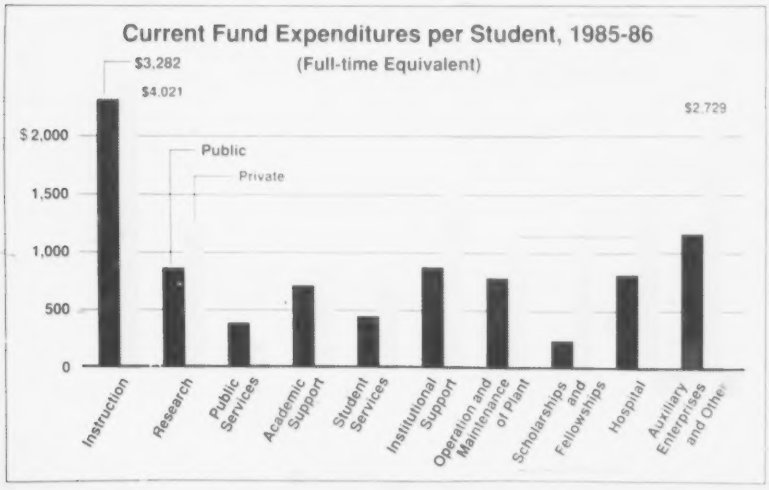
Despite the steep rise in total expenditures for postsecondary schooling in the period 1970 to 1986, the actual per pupil expenditures (in constant 1985-86 dollars) did not change substantially. Expenditures per pupil averaged slightly under

Now Available on SLIDES Details on back page









$10,000 for the first 14 years, rising by 11 percent in publicly-supported colleges and by 15 percent in private institutions in the 1984 to 1986 period.

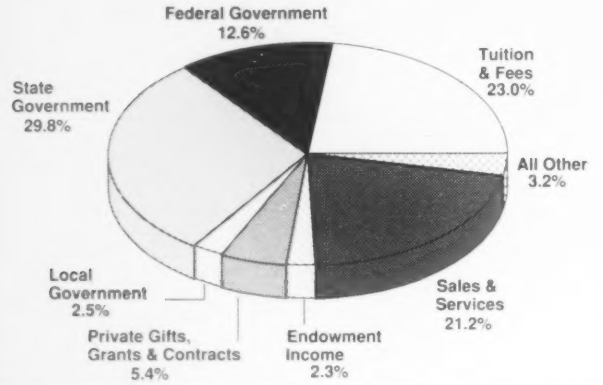
There are significant differences between private and public colleges not only in expenditures per student but also in the distribution of expenditures. Although public colleges spend one-third less per student ($9,471 versus $15,187 for private colleges), they allocate a larger percentage of that expenditure, almost 35 percent ($3,282) for instruction. Note, however, that the smallest portion of the public support dollar is spent on student financial aid, scholarships and fellowships. Private colleges allocate only 26 percent for instruction.

To meet these upward spiraling expenditures, total education revenues in the 10-year period 1975-76 to 1985-86 increased more than 150 percent. Government support to all postsecondary education now accounts for almost 45 percent of current revenues, tuition and fees cover 23 percent, and all other sources account for more than 32 percent. In public colleges, state government funds (45 percent) are the largest source of support, while tuition and fees (38 percent) are the key revenue sources for the private institutions. In the same decade, voluntary support of higher education more than tripled, to a current level of almost $10 billion. Individual contributions account for more than half of the voluntary dollars, while contributions from businesses and foundations make up another 39 percent.

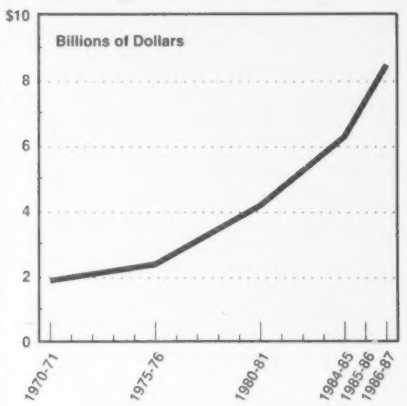
The cost of attending a four-year college has increased as well, with tuition rising in private colleges by almost 190 percent from 1977 to 1987, and by 143 percent in public colleges. For the same period, room and board increased by 150 percent in private schools and 115 percent in public colleges.

Public criticism and concern about education in the United States has centered on elementary and secondary education and rarely upon postsecondary schools. Complaints frequently hinge upon the increased cost of education for the taxpayer and the lack of improvement in SAT scores, one of the few measures of educational progress. In the past decade, the dollar expenditure for precollege public education has risen steeply while the SAT scores have remained flat at a relatively low level,

Current Fund Revenues of Institutions of Higher Education, 1985-86

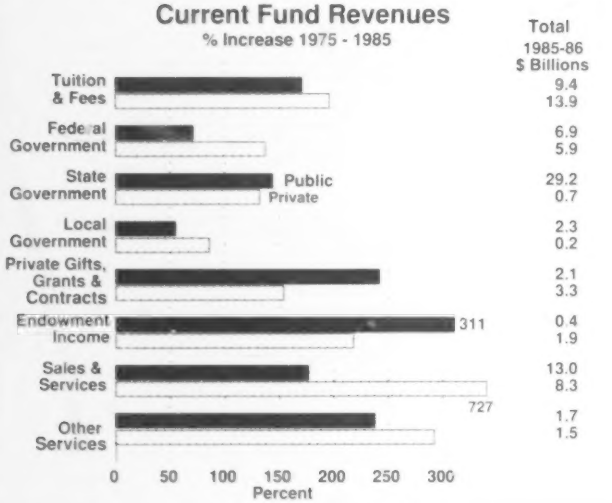


Voluntary Support for Institutions of Higher Education

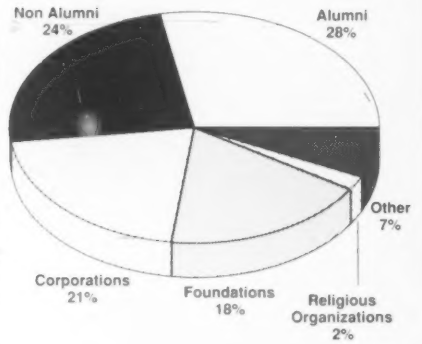


Current Fund Revenues

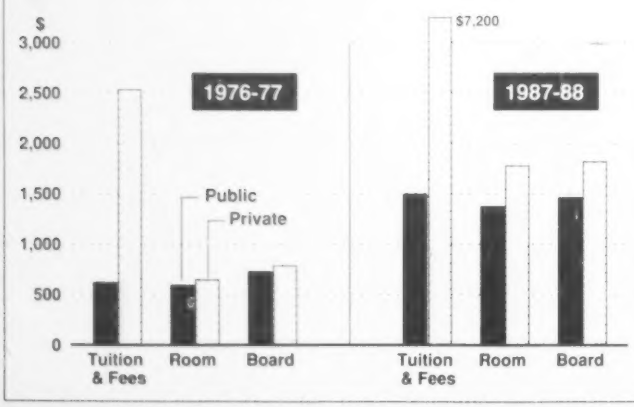
% Increase 1975 - 1985



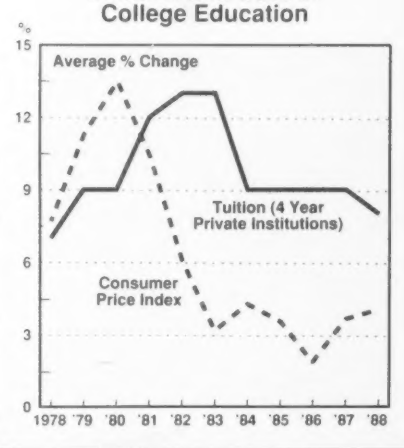
Source of Support 1986 - 1987

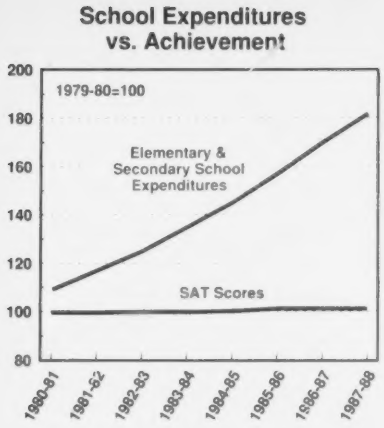


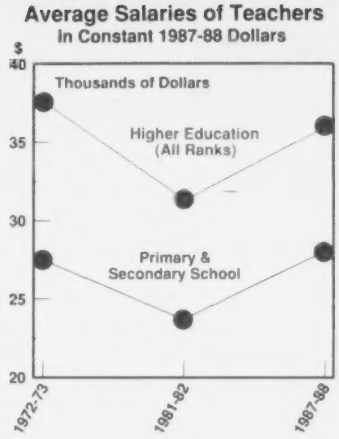
Average Undergraduate Tuition & Fees, and Room & Board at 4 Year Institutions

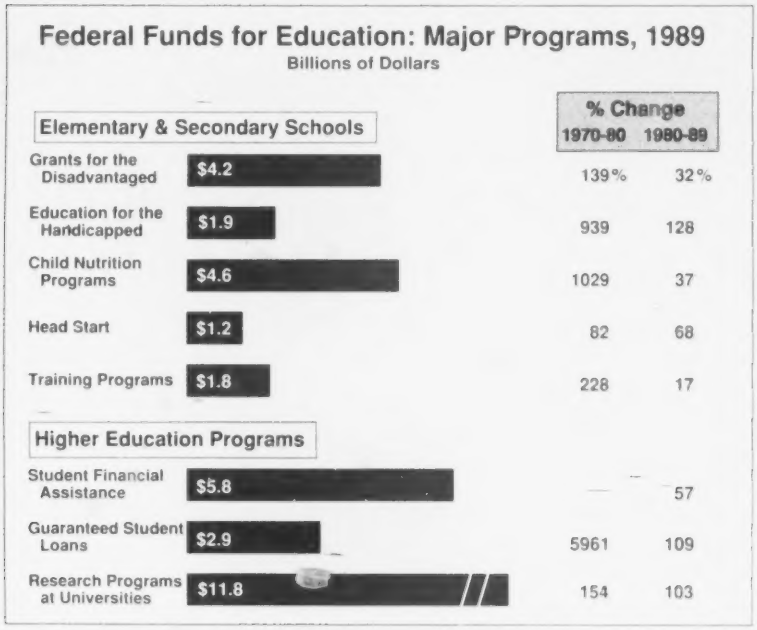


Inflation and Cost of College Education









varying only between average scores of 890 and 906. However, as noted earlier, expenditures for elementary and secondary schools over the past two decades have remained below 5 percent of GNP, and in fact have dropped from 4.7 to 4.1 percent of GNP. In roughly the same period, teachers' salaries in constant dollars also have changed little. The average salary for elementary and secondary school teachers in 1972-73 was $27,532, and in 1987-88 was $28,044. In higher education, average salaries in constant dollars dropped from $37,479 to $36,011.

Federal funds for education, mainly allocated in special programs for the disadvantaged child and the handicapped, have grown substantially since 1970, when major allocations for these purposes were first dedicated.

To those who have expressed concern about the effectiveness of the nation's schools, and particularly about the poor results from increased expenditures for the local public school systems, perhaps some of the explanation might lie in the failure to allocate larger portions of the nation's fiscal resources to support education. We now allocate a smaller percentage of the GNP than 20 years ago, despite the increasingly challenging demands upon teachers today to prepare young people for a more diverse and complex economy and society.

Eva Culen
Leonard Lund

Source: U.S. Department of Education; The Conference Board

Economic Road Maps SLIDES Order Form

Yes! Please send me a set of slides for: **Road Maps Nos. 2037-2038**
Education: Investment in Human Capital

$185 per set $95 per set for Educational Institutions only

Name _____
Title _____
Company _____
Address _____
City _____ State _____ Zip _____
Telephone _____

Return to: Eva Culen
The Conference Board
845 Third Avenue
New York, New York 10022

Payment enclosed
Bill me

Note: Each set of slides is complete with a binder and 25 copies of the **ROAD MAPS.**

Slides alone are available for selected past issues. For further information call Eva Culen at (212) 339-0328.

ROAD MAPS

Eva Cullen, Editor **Chuck N. Tow, Chief Chartist**

The Conference Board, 845 Third Avenue, New York, New York 10022
The Conference Board Europe, Avenue Louise, 207-Bte 5, B-1050 Brussels, Belgium
The Conference Board of Canada, 255 Smyth Road, Ottawa, Ontario, K1H-8M7